

**MINUTES  
of the  
TWELFTH MEETING  
of the  
PUBLIC SCHOOL CAPITAL OUTLAY OVERSIGHT TASK FORCE**

**July 6, 2007  
State Capitol  
Santa Fe, New Mexico**

The twelfth meeting of the Public School Capital Outlay Task Force (PSCOOTF) was called to order by Representative Rick Miera, co-chair, at approximately 10:30 a.m. in Room 307 of the State Capitol in Santa Fe.

**Present**

Rep. Rick Miera, Co-Chair  
Antonio Ortiz for Veronica Garcia  
Cecilia J. Grimes  
Leonard Haskie  
Sen. Stuart Ingle  
Rep. Larry A. Larrañaga  
Sen. Carroll H. Leavell  
Sen. Lynda M. Lovejoy  
Rep. Ben Lujan  
Rep. James Roger Madalena  
Rep. W. Ken Martinez  
Katherine B. Miller  
Bud Mulcock  
Dr. Moises Venegas

**Absent**

Sen. Cynthia Nava, Co-Chair  
Sen. Ben D. Altamirano  
Gary Bland  
Dr. Leslie Carpenter  
Pancho Guardiola  
Robbie Heyman  
Dr. Anna Lamberson  
Kilino Marquez  
Elizabeth Marrufo  
Rep. Henry Kiki Saavedra  
Sen. John Arthur Smith  
Norman Suazo  
Rep. W.C. "Dub" Williams

**Advisory Member**

Sen. Vernon D. Asbill

**Staff**

David Abbey, Legislative Finance Committee (LFC)  
Paul Aguilar, LFC  
Sharon Ball, Legislative Council Service (LCS)  
Tim Berry, Public School Facilities Authority (PSFA)  
Robert Gorrell, PSFA  
Liz Holmes, LCS  
Pauline Rindone, Legislative Education Study Committee (LESC)  
Bill Sprick, PSFA  
Paula Tackett, LCS  
Peter Van Morsel, LESC  
Peter Winograd, Department of Finance and Administration (DFA)

**Guests**

The guest list is in the meeting file.

Copies of all handouts and written testimony are in the meeting file.

**Friday, July 6****Approval of the June Minutes**

On a motion by Representative Larrañaga, seconded by Senator Leavell, minutes of the June meeting were approved as distributed.

**Public School District Tax Rates**

Antonio Ortiz, Capital Outlay Program director, Public Education Department (PED), provided task force members with several spreadsheets that he said would give the members some idea about the current status of school districts' bonded indebtedness and other property tax obligations, as well as the PED calculation of the percent of participation required for Public School Capital Outlay Council-funded projects.

Directing members' attention to the spreadsheet entitled "Public School Bonding Capacity Percentages as of June 30, 2007", Mr. Ortiz noted that almost all school districts in the state are making a substantial effort at the local level to fund their respective capital outlay programs. He noted several districts that are bonded to approximately 100% capacity: Chama (99.8%), Cuba (98.6%), Dexter (100.0%), Grady (108.6%) Gadsden (98.9%), Grants-Cibola (99.9%), Lake Arthur (100.0%), Los Lunas (99.5%), Pojoaque (95.8%), Roy (96.5%), Socorro (98.9%) and Zuni (99.9%).

In response to task force questions, Mr. Ortiz reminded members that "bonded capacity" amounts to 6% of a district's total property tax valuation. For example, he said, the Farmington district has a total property tax valuation of nearly \$1.2 billion and, at 6%, a bonding capacity of just over \$70.9 million. In response to additional questions, Mr. Ortiz directed task force members' attention to the "Assessed Valuation per MEM" column of the spreadsheet and pointed out that a true representation of a district's property tax wealth is the amount of assessed valuation per student (MEM). He noted that the extremes in New Mexico include a per MEM valuation of approximately \$1,546,000 for the Dulce district and \$1,722 per MEM for the Zuni district.

Mr. Ortiz then directed members' attention to the second spreadsheet, "2006 Final Assessed Valuations and Mill Levy Rates", which, he said, shows the total effort a district is making to support its capital outlay program. He pointed out that 84 of the state's 89 districts have the Public School Capital Improvements Act (also called "SB 9") two-mill levy in place. In response to a question, Mr. Ortiz explained that the spreadsheet shows some districts with less than the entire two mills in place because of the yield control provisions of the law. He explained that yield control is in place for both SB 9 and Public School Buildings Act (also

called "HB 33") levies. He said that the effect of yield control is to lower the mill levy rate as a district's assessed valuation increases in order to protect homeowners against inflation of assessed valuations. In response to additional task force questions, Ms. Ball stated that a HB 33 levy can be as much as 10 mills, but that the law specifies that any district using HB 33 as a capital outlay funding mechanism is limited to a total millage from all sources of 15 mills. She said that, generally, only districts with relatively high, broad-based property tax valuations (such as Albuquerque, Santa Fe, Artesia, Eunice, Hobbs and Los Alamos) tend to use HB 33 as a capital outlay funding mechanism.

In response to additional questions, Mr. Ortiz explained that his office uses the data on these spreadsheets to determine the proportional amount for school district participation for Public School Capital Outlay Act grant awards. He then directed task force members' attention to the third spreadsheet: "2007-2008 Percentage of Participation for PSCOC Projects". He added that these school district participation percentages can range from 0% (Zuni) to 90% (Artesia, Aztec, Bloomfield, Capitan, Cimarron, Cloudcroft, Corona, Dulce, Eunice, Jal, Jemez Mountain, Mosquero, Quemado, Santa Fe, Tatum and Vaughn). Task force members had several questions and expressed concerns about the district requirement for 90% participation for some districts, including Cimarron, Corona and Vaughn. In response, Mr. Ortiz stated that those particular districts, as well as Mosquero, have very few students but include a great deal of land.

Ms. Tackett reminded task force members that previously passed legislation endorsed by PSCOOTF had established criteria to allow the Public School Capital Outlay Council (PSCOC) to reduce or totally waive the local match required for PSCOC projects. In response to an additional question, Mr. Berry estimated that fewer than a dozen waiver requests had been granted since the law went into effect in 2006. He said that four districts received waivers during the regular funding cycle and the remaining were granted for supplemental awards based upon rapid increases in construction costs.

In response to a question from Co-Chair Miera, Mr. Ortiz stated that he is hoping that the task force would consider endorsing legislation for the 2008 session that would standardize PED reporting days from the current 40th, 80th and 120th (which occur on different calendar days in different districts) to a set calendar date for fall, mid-year and spring, which dates would roughly coincide with the current 40th, 80th and 120th days. Co-Chair Miera requested that staff work with the LESC staff on recommendations related to this issue.

### **A Bird's-Eye View of the Public School Capital Outlay Annual Standards-Based Awards Process — Ongoing Review and Monitoring**

Mr. Gorrell and Mr. Berry provided task force members with copies of the updated 2007-08 NMCI, the statewide evaluation and ranking of school facilities. In response to task force members' questions, Mr. Gorrell explained that the original ranking was done by an outside contractor, 3-D International (3-D I). He explained that this outside contractor's initial statewide assessment, completed in 2002 and 2003, measured the costs of repairs or replacement needed to bring each school building up to nationally determined operating standards (the BOMA

standards) as measured on a lifecycle basis using a nationally standardized methodology that resulted in the calculation of a "facility condition index" (FCI) for each school and the initial FCI ranking.

Mr. Gorrell went on to explain that, after the PSCOC adopted New Mexico's statewide adequacy standards in 2001 for implementation in 2003, the original assessment was updated to include the costs of meeting the state's adequacy standards, beyond the lifecycle repair and replacement costs first measured. Using this new assessment, a New Mexico condition index (NMCI) was calculated for each school. This index reflects the relative needs of the school compared to the adequacy standards and continues to be used to prioritize funding for school projects requested by the districts.

Tanya DeLara, manager, PSFA Facilities Assessment Database (FAD), explained that, while the original FCI was simply a picture of a particular point in time, the current NMCI is dynamic and changeable. She said it is kept in a computerized database maintained by PSFA with continuous updates, by eliminating needs as funds are allocated to address identified needs and by adding new needs that arise from aging facilities. She added that, while PSFA has a role in the maintenance of the database, it is really a joint effort between PSFA and local districts and each district owns its respective data.

Directing task force members' attention to the handout she provided (included in the meeting file), Ms. De Lara explained that the FAD is now the standard tool to prioritize funding through PSCOC grant awards. She said that the data are sorted to generate a deficiency ranking list by applying a weighted NMCI score to each school's data. Each year, the PSCOC bases grant award decisions upon this ranking. Once funded (and before completed), the funded school drops to the bottom of the list, and those schools with lower level needs move up in priority accordingly.

In summarizing the information on the handout, Ms. DeLara pointed out the following deficiency categories and associated weight factors:

1.	adequacy — immediate code, life, health or safety issues	3.5
2.	degraded systems with potential mission impact	1.5
3.	mitigation of additional damage	2.0
4.	beyond expected life	0.25
5.	grandfathered or state- or district-recommended	0.5
6.	adequacy — facility related	1.0
7.	adequacy — space related	3.0
8.	adequacy — equipment	0.5
9.	normal — within cycle	0.25

Ms. DeLara said that, while the NMCI is calculated from the base formula for FCI, it also takes into account the cost to correct New Mexico adequacy standard deficiencies. She said that PSFA is working on programming changes to FAD that will allow the recognition of those districts that are able, through consistent, conscientious maintenance, to extend the life

of their facilities. Mr. Gorrell added that he hopes the task force will consider providing an incentive to districts to extend the life of their facilities through good maintenance and that, in some ways, the past and current systems penalize districts for good maintenance practices.

Mr. Sprick provided the task force with information on the relationship between district facilities master plans (FMP) and district-wide standard curricula. He said that, currently 60%, as compared to 43% at this time last year, of the state's 89 districts have up-to-date FMPs in place. He reminded task force members that the district FMP is composed of four main components — enrollment, facility condition, educational framework and cost — and that it should be the foundation for planning and design of all educational facilities. He noted that educational specifications and curricula describe the program's goals and outcomes, activities to be conducted, persons served, spatial relationships of the program area, equipment needs, technology needs and special considerations.

He said that the district's planner would facilitate a series of work sessions to develop the educational specifications, standards for each grade configuration, specifications to be overlaid onto each facility for comparison to existing facilities and a comparison to be used in the FMP recommendations. Noting that a good FMP transcends changes in various district school boards and administrations, he said that community buy-in occurs when the plan is developed on reliable, believable data, includes a clear road map for addressing the district's facility needs, uses the "ed specs" as the driving force of the plan, identifies financing for the projects and is the result of consensus and collaboration among stakeholders. He indicated that the PSCOC is finally getting the information it needs to make funding decisions.

Some task force members expressed concern that the standards-based process sometimes seems as if it is attempting to apply objective criteria to a subjective process. In response to a task force question about the definition of "classroom", Ms. DeLara explained that the adequacy standards define both a "general use" classroom (one configured for instruction in the areas of mathematics, social studies and language arts) and "specialty" classroom (one configured for instruction in a specific subject such as science, physical education, special education or the arts). She added that the size of a classroom is determined by its use and the square footage per student based upon national standards, such as those promulgated by the National Center for Education Statistics (NCES) and the Bureau of Indian Affairs (BIA).

In response to a question, Ms. DeLara explained that the glitch with the original program is that it did not incorporate a degradation curve; the system would move from okay one year and "beyond reasonable life" the next. The database has been corrected to capture the degraded cost more gradually, as it really occurs.

In response to questions about roof repairs and replacement, Mr. Gorrell stated that the PSFA has been implementing a standards-based roofing process, which was funded by the 2006 legislature. He noted that the program was not funded in 2007.

Task force members had a number of questions related to the standards-based process, including design professional selection, approval of design and architectural plans and application of the adequacy standards. In response to questions related to approvals, Mr. Gorrell stated that qualified PSFA staff, including the regional manager in whose region the project is located, review all plans before construction begins. Some task force members expressed concern about the qualifications of design professionals selected by school districts. In response to questions and comments, Mr. Gorrell stated that, because of statutory local control of local boards of education, often PSFA can only raise awareness or influence a district's decision about the hiring of a particular design professional through the use of data.

In response to a question about whether to repair or replace a school, Mr. Gorrell said that the decision rests primarily with the local school board, but that PSFA generally applies a "60% rule", i.e., if the cost to repair a school is more than 60% of the cost to replace it, PSFA generally recommends replacement. In response to an additional question, Mr. Gorrell said that these cost estimates are generally generated by a licensed architectural firm.

Some task force members expressed concerns about the current trend in high schools to move toward career clusters, specifically, that building facilities for and equipping career cluster programs could be very expensive and might duplicate programs already available at nearby community colleges.

Task force members also expressed concerns and posed a number of questions about joint community-school district use of facilities. Ms. Tackett said that this issue could be very complicated, especially in terms of risk management issues, and that staff would do additional research and bring the issue back to the task force at a subsequent meeting during the 2007 interim.

Senator Leavell requested that PSFA provide a listing of all new schools that have been built since the *Zuni* lawsuit was filed.

### **Statewide Adequacy Standards: Update on Modifications and Additions**

Lisa Martinez, director, Construction Industries Division, Regulation and Licensing Department, and chair, Adequacy and Maintenance Subcommittee, PSCOC, and Andre Larroque, building standards specialist, PSFA, and Ms. Santistevan provided the task force with an update on the progress of the update and modification of the statewide adequacy standards.

Made up of PSFA planning and design staff, representatives from school districts, PED and representative design professionals, the Adequacy Standards Advisory Group began meeting in August 2006 to develop modifications to the state adequacy standards for PSCOC consideration, Ms. Martinez explained. PSFA staff also worked with an ad hoc group of school superintendents appointed in October 2006 by the PSCOOTF after representatives of the superintendents' group presented a number of concerns to the PSCOOTF related to implementation of the adequacy standards and the PSFA planning reference guide.

Ms. Martinez said that, after analysis by and input from the PSCOC Adequacy and Maintenance Subcommittee, PSFA staff presented the proposed revisions to school districts during application training sessions provided to districts in February 2007. Ms. Martinez stated that the required public hearings (for New Mexico Administrative Code amendments) were held in Aztec, Pojoaque, Albuquerque and Roswell in February and March with revisions based upon public comments incorporated into the new draft. She said that at its March meeting, the PSCOC requested staff to provide an analysis of the costs, benefits and consequences of the proposed changes as well as additional research on the cost of including the pre-kindergarten facilities at the current adequacy standards.

Mr. Larroque said that the PSCOC, at its June meeting, proposed a two-part phasing approach for enactment of the proposed revisions. He directed task force members' attention to the document labeled "Phase 1 Revisions". He indicated that the revisions in this document primarily include technical corrections and some increased space requirements. He said that the state share of the cost for implementing Phase 1 would be approximately \$27 to \$28 million.

Directing task force members' attention to the "Phase 2 Adequacy Standards Revisions" document, Mr. Larroque said that the PSCOC had deferred making changes recommended in this document pending further study and more detailed cost estimates.

Task force members indicated a number of concerns with the potential costs involved if the changes proposed in the Phase 1 document are adopted. Specifically, task force members had concerns with the addition of sinks to all kindergarten and first grade classrooms at a projected cost of \$3.6 million. Other task force concerns centered around adding space for administrative uses and proposed amendments to student health, special education, administrative, counseling and other student support spaces, all of which could cost more than \$15.0 million. Task force members asked staff to do some additional research and data gathering before committing the state to an additional \$20 million.

After continued discussion on the Phase 2 proposed changes, task force members requested PSFA to refine its funding requirement estimates and bring the proposed changes back to the task force at a later date.

Ms. Santistevan provided the task force with some explanatory notes on the Adequacy Standards Planning and Reference Guide. She said that an important element of the guide is flexibility in the planning process based upon the specific needs of the district for the facility. She said that some smaller districts, as well as other districts, prefer smaller classrooms to reduce operational costs for heating and cooling of the facility. She said that PSFA staff are available to meet with the district and its design professionals at any point in the planning of the project to ensure that plans meet adequacy standards and take advantage of the appropriate areas of flexibility.

### **What Do We Mean by "Capacity" and "Utilization"? A Brief Overview**

In the interest of time, task force members agreed by consensus to address this issue at a later meeting.

**Task Force Discussion of Meeting Dates**

Ms. Tackett informed task force members that the Public School Funding Formula Study Task Force (FFSTF), because of the contractor's schedule of deliverables and schedule conflicts, needs to schedule a meeting on August 30 and 31 to hear from the contractor regarding its preliminary recommendations and, thus, there is a conflict with the dates established for the August PSCOOTF meeting. Noting that several members of the PSCOOTF also serve on the FFSTF, she asked if the members of the PSCOOTF would be willing to reschedule the August meeting for September 6 and 7, pending approval of the Legislative Council. She then pointed out that the original date for the September PSCOOTF meeting was September 17 and 18 and that perhaps the task force should reschedule that meeting for October 1 and 2. Task force members agreed by consensus, pending Legislative Council approval, to reschedule the next two PSCOOTF meetings to the dates suggested by Ms. Tackett. Ms. Tackett noted that the November 8 and 9 dates originally approved by the council would stand.

There being no further business, the task force adjourned at 4:00 p.m.